

**MINUTES OF THE AUGUST 14, 2017
BOARD OF DIRECTORS MEETING OF
NORTH PLAINS GROUNDWATER CONSERVATION DISTRICT**

The Board of Directors of North Plains Groundwater Conservation District met in regular session August 14, 2017, at 9:00 a.m. in the Conference Room in the Richard S. Bowers Water Conservation Learning Center Building at the North Plains Water Conservation Center, 6045 West County Road E, Dumas, Texas 79029-7201. The following persons were present:

Members Present at 9:03 a.m.:

Harold Grall, President;
Daniel L. Krienke, Vice-President;
Bob B. Zimmer, Secretary;
Gene Born, Director;
Justin Crownover, Director;
Zac Yoder, Director; and
Mark Howard, Director.

Staff Present during part or all of the meeting:

Steve Walthour, General Manager;
Dale Hallmark, Assistant General Manager/Hydrologist/Producer Services;
Kirk Welch, Assistant General Manager/Outreach;
Kristen Blackwell, Executive Assistant;
Casey Tice, Compliance Coordinator;
Paul Sigle, Agricultural Engineer;
Odell Ward, Program Coordinator – GIS/Monitor Wells;
Alyssa Holguin, Conservation Outreach Assistant; and,
Shari Stanford, Natural Resource Specialist – Meter Program.

Others present during part or all of the meeting:

Scott Buckles, Sherman County Soil and Water Conservation District;
Tom Moore, Irrigation Farmer;
Mike Caldwell, NRCS, Dumas, Texas;
Bruce Meyer, NRCS, Stratford, Texas;
F. Keith Good, Attorney; and,
Ellen Orr, Paralegal.

President Grall declared a quorum present and called the meeting to order at 9:03 a.m. Director, Mark Howard, gave the invocation and President Grall led the pledge.

Shari Stafford, District Natural Resource Specialist – Meter Program, was recognized for five (5) years of service.

1 – Public Comment

No public comments were received.

2 – Consent Agenda

The Consent Agenda was discussed by the Board and consisted of: the review and approval of the Minutes of the regular July 18, 2017 Board Meeting; the review and approval of un-audited District expenditures for July 1, 2017 through July 31, 2017, including the General Manager's expense and activity report; and, the review and approval of payment to Lemon, Shearer, Phillips & Good, P.C. for professional services

and out-of-pocket expenses from July 1, 2017 through July 31, 2017, in the amount of \$6,531.80.

Gene Born moved to approve the Consent Agenda. Justin Crownover seconded the motion and it was unanimously approved by the Board.

Action Agenda 3f - Receive report from the Agriculture Committee regarding the District's Agricultural Water Conservation Program and the North Plains Water Conservation Center.

Scott Buckles had a discussion with the Board about the most effective means of water conservation through the use of EQUIP and Texas Water Development Board grant funds.

The General Manager presented the following report to the Board:

The Agriculture Committee met on Wednesday, July 6, 2017 and discussed and reviewed the following:

- North Plains Water Conservation Center;
- 3-4-5 Project;
- Future Projects; and,
- Budgets.

The Ag Committee also discussed the National Corn Growers Association's Soil Health Partnership Program, a residue management conference, Netafim Corn Grower Success Program, and economic data collection and an enterprise challenged based program. Mr. Walthour stated that District staff is presently researching ideas for the committee for 2018.

3-4-5 Project Update

As of August 7, 2017, Daniel L. Kreinke's 3 GPM early site is at the milk stage, and Mr. Krienke's other sites are pollinating. Harold Grall's 414 and 328 sites are in the blister stage. The corn on the North Plains Water Conservation Center's subsurface drip irrigation system is in milk stage, the corn on the North Plains Water Conservation Center's east pivot is in blister stage, and the cotton is in the blooming stage.

The District will be conducting two field days this year. The dates and locations of the field days are:

- 9/7/2017: North Plains Water Conservation Center, Dumas, Texas; and,
9/20/2017: Ochiltree County Expo Center, Perryton, Texas.

Irrigation Management Dashboard Update

The dashboard's development has been delayed because of the postponement in the development of the PAIL data exchange standard. The PAIL standard defines the structure and format of weather station, soil moisture, and pivot data that forms the foundation of the dashboard's calculations. Unofficially, the PAIL standard is complete, however it must go through the American Society of Agricultural and Biological Engineer's (ASABE) balloting process before it becomes a published standard. Previous plans for the dashboard's development were based on an assumption that the standard would be complete prior to the annual ASABE meeting in July. AgSense/Valley, Lindsay, Irrrometer, ZedX, and Campbell Scientific are all still actively engaged, however Campbell is the only company that has fully implemented the draft standard. The remaining development tasks for the dashboard are dependent on the other companies' implementation of PAIL and they are still in the process of developing their implementation. The dashboard's current code is based on the standard in its draft form. District staff is optimistic that

the ASABE balloting process will not result in any substantive changes to the standard that would impact the dashboard's implementation.

Other progress since the May 1 progress report:

- The dashboard was presented at the ASABE annual meeting in Spokane on July 17.
- One cooperator (Rio Margoso property in Moore County) has acquired and installed a weather station for use in this demonstration. The station is manufactured by Ranch Systems and which indicated it will support the PAIL standard once it is published.
- PivoTrac has provided special access to their API so that the dashboard can extract pivot data and translate it into PAIL standard format.

Remaining tasks and potential issues:

- There are still some technical issues with remote communication with the Campbell Scientific weather stations.
- Given the delays, there is concern that the District will have limited time for testing the system this season.

The Board recessed at 10:38 a.m. and reconvened at 10:50 a.m.

Action Agenda 3a - Consider General Manager's proposed District Budget for 2017-2018.

The General Manager stated that each year the Board prepares and adopts a budget and sets a tax rate for the following year.

Mr. Walthour presented the following report to the Board:

As of July 31, 2017, the District's total checking and savings reserves are approximately \$1,895,000, not including late filing fees that are in First State Bank. The General Manager estimated that the District would spend a net of \$325,000 by the end of the fiscal year leaving approximately \$1,570,000 in reserves on September 30, 2017. This represents an \$156,000 increase over the \$1,411,925 total reserves posted on September 30th of 2016.

The Finance and Budget Committee met in July to review the General Manager's proposed 2017- 2018 budget. The Budget Committee delayed proposing a budget until the District had a better view of tax appraisal values, since valuations for 2016 dropped almost 20 percent from 2015. Since that meeting, certified tax appraisal valuations from each of the counties show a slight increase from the previous year which means that the effective tax rate is slightly lower than last year's tax rate. The proposed income budget is based in part on the 2017 effective tax rate.

The estimated income for the 2016-2017 budget and estimated end of year (EOY) income compared to the General Manager's proposed estimated income for FY 2017-2018 are as follows:

Description	2016- 2017 Budget	2016- 2017 EOY	Proposed 2017- 2018 Budget	Explanation
Taxes	2,231,809.99	2,220,484.66	2,240,475.00	Proposed 2017 Effective Tax Rate
Penalties and Interest	8,475.46	17,159.92	12,850.00	Current estimated and historical EOY
Delinquent Taxes	12,841.13	14,632.37	14,800.00	Current Estimated EOY
North Plains Water CC	50,000.00	79,505.95	50,000.00	Current Contract

Refunds	2,500.00	5,979.50	5,000.00	Current estimated and historical EOY
Sale of Assets	0.00	117.00	5,000.00	Surplus sales
Fees for District Services	110,000.00	116,991.00	110,000.00	Current Estimated EOY
Other Income	60,000.00	28,451.81	30,000.00	Current Estimated EOY
TWDB Grant - Dashboard	15,000.00	0.00	15,000.00	Project extended past FY 2016-2017
TWDB 3-4-5 Demonstration Grant	60,000.00	36,592.54	58,000.00	Remainder of 3-4-5 Grant
TWDB Meter/ Equipment Grants	300,000.00	211,016.33	350,000.00	Includes equipment grant
USDA/NRCS Grant	45,000.00	35,735.52	0.00	Not confirmed for 2017-2018
Investment Income	8,500.49	8,143.05	8,143.05	Estimated Current EOY
Dallam Co. PGMA fees	60,000.00	85,000.00	80,000.00	Current \$1 Fee Subject to board approval
Total Income	2,964,127.07	2,859,809.65	2,979,268.05	

In addition to taxes and fees, the District is eligible to receive approximately \$1 million in TWDB meter grants and \$300,000 in agriculture conservation equipment grants that for reimbursement to producers through 2022. The District should pass through approximately \$350,000 of these funds in FY 2017-2018. The District must reimburse the producer before the District receives the TWDB refund. The TWDB 3-4-5 Demonstration and the Dashboard grants reimburse the District for up to approximately 40 percent of its program expenses. The USDA has not yet indicated that the NRCS grant will be continued; however, the District is applying. The NRCS has contracted for \$400,000 per year in EQIP funding for the Master Irrigator Program participants and additional funding for the RCPP and VFDs to producers that are not part of the District's budget. Except for the 3-4-5 Grant and the NRCS grant, the District receives no reimbursements to administer these programs.

The draft proposed expense budget for FY 2017-2018 compared to the FY 2016-2017 is as follows:

Description	2016-2017 Budget	2016-2017 EOY	Proposed 2017-2018 Budget	Explanation
Director's Expense	70,000.00	55,035.88	70,000.00	Current Budget
Personnel	1,225,788.42	1,215,788.42	1,210,571.00	Reduce full time, increased part time
Administrative	144,500.00	141,811.30	148,500.00	Increased Property Insurance
Contracted Services	114,172.65	90,899.71	91,550.00	No Election
Professional Fees	217,500.00	207,043.97	198,000.00	Interim Legislative Session/ no pending lawsuits
Tech., Comm., & Utilities	123,000.00	119,046.25	128,000.00	Data Telemetry Expenses
Vehicle; Bldg; Field; Supplies	85,000.00	72,542.27	85,000.00	Current Budget
Capital Outlay	120,000.00	109,346.53	120,000.00	Current Budget/property improvement list
Aquifer Science	55,000.00	44,024.84	60,000.00	Field data acquisition costs
Conservation Outreach	380,000.00	287,373.08	465,000.00	New TWDB Grant pass through
Conservation Demo Project	245,000.00	236,801.03	230,000.00	3-4-5 Demonstration Completed
North Plains WCC	104,614.00	82,546.00	82,546.00	Reduce engineering
Total Expenses	2,884,575.07	2,662,259.28	2,889,167.00	

The General Manager's proposed expense budget is approximately \$90,101 less than the District's estimated income for 2017-2018.

The General Manager recommended that the Board adopt the District's expense budget for the 2017- 2018 fiscal year as follows:

Budget Item	Amount
Director's Expense	70,000.00
Personnel	1,210,571.00
Administrative	148,500.00
Contracted Services	91,550.00
Professional Fees	198,000.00
Technical, Communication, & Utilities	128,000.00
Vehicle, Building, Field, Maint. & Supplies	85,000.00
Capital Outlay	120,000.00
Aquifer Science	60,000.00
Conservation Outreach	465,000.00
Conservation Demo Project	230,000.00

North Plains WCC	82,546.00
Total Expenses	2,889,167.00

Gene Born moved that the Board adopt an expense budget for the District's 2017-2018 fiscal year as follows:

Budget Item	Amount
Director's Expense	70,000.00
Personnel	1,210,571.00
Administrative	148,500.00
Contracted Services	91,550.00
Professional Fees	198,000.00
Technical, Communication, & Utilities	128,000.00
Vehicle, Building, Field, Maint. & Supplies	85,000.00
Capital Outlay	120,000.00
Aquifer Science	60,000.00
Conservation Outreach	465,000.00
Conservation Demo Project	230,000.00
North Plains WCC	82,546.00
Total Expenses	2,889,167.00

Justin Crownover seconded the motion and it was unanimously approved by the Board.

Action Agenda 3b - Review last year's tax rate, the 2017 effective tax rate and the 2017 rollback rate and consider a new tax rate.

Mr. Walthour stated that on August 3, 2017, District staff notified the *Amarillo Globe News* to publish 2017 Property Tax Rates for North Plains Groundwater Conservation District. The 2017 Property Tax Rates notice was also published on the District's website. The notice began the process for setting a tax rate for the District. A copy of the published notice was presented to the Board.

Mr. Walthour stated that the District is funded through ad valorem taxes, fees and grants. Ad valorem taxes are based on certified property values in the District. From year-to-year, the certified taxable property values may increase, or decrease, within each county. The table below reflects the certified property values by county for the last four years.

County	Certified Values			
	2014	2015	2016	2017
Dallam	736,674,045	803,102,856	854,627,537	893,523,939
Hansford	629,065,320	657,620,582	552,556,961	521,144,533
Hartley	588,456,108	609,979,400	607,891,134	677,107,188
Hutchison	206,343,400	186,668,380	122,497,511	111,748,590
Lipscomb	1,219,888,949	910,776,732	564,658,748	622,855,165
Moore	2,245,567,863	2,149,580,872	1,888,090,299	1,933,338,389
Ochiltree	1,976,158,575	2,159,858,960	1,485,046,565	1,430,482,148
Sherman	665,431,950	626,051,650	515,290,433	503,931,340
Total	8,267,586,210	8,103,639,432	6,590,659,188	6,694,131,292

Funds generated are calculated by multiplying the total taxable value of properties within the District and the tax rate set by the District. Three tax rates are to be considered. Last year's tax rate (0.034146/\$100) is the actual rate the taxing unit used to determine property taxes last year. This year's *effective* tax rate (0.033714/\$100) would yield the same total taxes as last year based on the current valuation of the same properties taxed in both years. This year's *rollback* tax rate (0.036411/\$100) is the highest tax rate the

taxing unit can set before taxpayers can petition to initiate ad valorem tax rollback procedures. In each case, these rates are found by dividing the total amount of taxes by the tax base (the total value of taxable property) with adjustments as required by State law. The rates are given per \$100 of property value.

2017 Property Tax Rates for North Plains Groundwater Conservation District

This notice concerns 2017 property tax rates for North Plains Groundwater Conservation District. It presents information about three tax rates. Last year's tax rate is the actual rate the taxing unit used to determine property taxes last year. This year's effective tax rate would impose the same total taxes as last year if you compare properties taxed in both years. This year's rollback tax rate is the highest tax rate the taxing unit can set before taxpayers can start tax rollback procedures. In each case these rates are found by dividing the total amount of taxes by the tax base (the total value of taxable property) with adjustments as required by state law. The rates are given per \$100 of property value.

General Fund

Last year's tax rate:

Last year's operating taxes	\$ 2,239,680
Last year's debt taxes	\$ 0
Last year's total taxes	\$ 2,239,680
Last year's tax base	\$ 6,559,129,020
Last year's total tax rate	0.034146/\$100

This year's effective tax rate:

Last year's adjusted taxes (after subtracting taxes on lost property)	\$ 2,240,475
÷ This year's adjusted tax base (after subtracting value of new property)	\$ 6,645,485,975
= This year's effective tax rate (Maximum rate unless unit publishes notices and holds hearings.)	0.033714/\$100

This year's rollback tax rate:

Last year's adjusted operating taxes (after subtracting taxes on lost property and adjusting for any transferred function, tax increment financing, state criminal justice mandate, and/or enhanced indigent health care expenditures)	\$ 2,240,475
÷ This year's adjusted tax base	\$ 6,645,485,975
= This year's effective operating rate	0.033714/\$100
x 1.08 = This year's maximum operating rate	0.036411/\$100
= This year's total rollback rate	0.036411/\$100

Statement of Increase/Decrease

If North Plains Groundwater Conservation District adopts a 2017 tax rate equal to the effective tax rate of 0.033714 per \$100 of value, taxes would increase compared to 2016 taxes by \$13,285.

Schedule A

- Unencumbered Fund Balances

The following estimated balances will be left in the unit's property tax accounts at the end of the fiscal year. These balances are not encumbered by a corresponding debt obligation.

Type of Property Tax Fund	Balance
NPGCD FUNDS HELD ACCOUNT	\$500,000

This notice contains a summary of actual effective and rollback rates' calculations. You can inspect a copy of the full calculations at 603 E 1st Street, Dumas TX 79029.

Name of person preparing this notice: Steven D. Walthour, P.G.

Title: General Manager

Date prepared: August 3, 2017

The General Manager reported that after review of the budget, the Board may vote to adopt a tax rate up to the effective rate, or to vote to increase the ad valorem tax rate above the effective rate. If the Board votes to increase the ad valorem tax rate above the effective rate, the Board must schedule two (2) public hearings. The second hearing must not be held earlier than the third day after the date of the first hearing. After the dates for the two (2) public hearings have been set, the District must publish a quarter page ad "Notice of Public Hearing on Tax Increase" in a newspaper of general circulation within the District. After holding the two (2) public hearings, the District must follow a strict timetable. The meeting to vote on the tax rate must take place no less than three (3) days, and no more than fourteen (14) days, after the second public hearing. The District must also post an Open Meetings Notice with the Secretary of State and the County Tax Assessor Offices within the District at least 72 hours prior to adopting the tax rate.

It was noted that for the past five tax years, the Board has elected to establish the effective rate as the tax rate.

The General Manager recommended that the Board adopt the 2017 effective tax rate of 0.033714/\$100 of taxable value as the District's tax rate for 2017.

Daniel L. Krienke moved that the Board adopt the 2017 effective tax rate of 0.033714/\$100 of taxable value as the District's tax rate for 2017. Justin Crownover seconded the motion and it was unanimously approved by the Board.

Action Agenda 3c - Consider final compliance approval of Water Well Permits as active and complete Wells.

The General Manager reported that District Rule 2.13 provides, after the site inspection is complete, and it is determined that the Well (and all Wells within the Groundwater Production Unit) are in compliance with the Rules of the District and the Well Permit application, the General Manager shall submit the Well Permit to the Board for final compliance approval.

The General Manager reported that the District staff had processed 28 Water Well Permits which are ready for Board consideration and approval. These permits, listed in the table below, represent completed Wells that have been inspected and are in compliance with District Rules. The inspections verify that the Wells were completed as required by the respective Permits, including proper Well location, Well classification, maximum yield, and proper installations of check valves and flow meters. Copies of the individual permits were presented to the Board.

Well	Class	Qtr.	Sec.	Blk.	Sur.	NS	EW
DA-9011	C	NW/4	328	1-T	T&NO	269 N	259 W
DA-9022	C	W/2	2	B	S Clarke	1612 S	536 W
DA-9402	C	NE/4	80	4	CSS	128 S	179 E
DA-9479	C	SE/4	83	7	CSS	428 S	424 E
DA-9518	C	NE/4	2	1-A	CTRR	139 N	430 E
DA-9519	C	SW/4	1	1-A	CTRR	317 S	25 W
DA-9578	D	NW/4	425	1-T	T&NO	600 N	6 W
DA-9636	C	NW/4	5	1	I&GN	387 N	894 W
HA-5123	D	NE	171	44	H&TC	32N	682E
HA-5636	D	NE	0	0	F JORDAN	243N	1568E
HA-9401	C	SE/4	79	4	CSS	115 S	865 W
HA-9449	C	NW/4	15	12	CSS	488 N	381 W
HN- 0037	B	NW/4	102	4-T	T&NO	435 N	422 W
HN- 9403	A	SW/4	303	2	GH&H	181 S	675 W
MO- 1464	B	NE	113	3-T	T&NO	652 N	785 E
MO- 9726	C	NW/4	412	44	H&TC	512 N	18 W

MO- 9727	C	SE/4	412	44	H&TC	178 S	212 E
MO- 9785	B	SW/4	139	3-T	T&NO	110 S	865 W
MO- 9786	B	SW/4	139	3-T	T&NO	111 S	592 W
SH-9433	C	NE/4	278	1-T	T&NO	361 N	782 E
SH-9586	C	SW/4	453	1-T	T&NO	102 S	113 W
SH-9587	B	SW/4	453	1-T	T&NO	162 S	399 W
SH-9762	C	SE/4	95	1-T	T&NO	859 S	108 E
SH-9788	C	NE/4	95	1-T	T&NO	374 N	389 E
SH-9821	C	SW/4	59	3-T	T&NO	189 S	38 W
SH-9854	D	NW/4	95	1-T	T&NO	812 N	665 W
SH-9881	D	SW/4	262	1-T	T&NO	21 S	490 W

Mark Howard moved to approve all of the Well Permits on the above schedule, noting that the Wells are properly equipped and otherwise comply with District Rules. Bob Zimmer seconded the motion and it was unanimously approved by the Board.

Action Agenda 3d - Review and consider Dallam County non-taxed area production fees to pay the area's share for District administration and services.

The General Manager presented the following report:

2017 is the second year that the District has collected production fees from the Dallam County un-taxed area to pay for the District's regulation of groundwater within those areas.

In August 2013, the Dallam County Priority Groundwater Management Area ("PGMA") was annexed into the North Plains Groundwater Conservation District pursuant to Title 2, Texas Water Code (TWC), Chapters 35 and 36. The District held an election for the residents within the annexed area to vote for the levy of an ad valorem tax to pay for the cost of the District's regulation of groundwater in the PGMA. Ad valorem taxes allow the cost of District operations to be shared by all property owners in the PGMA. The majority of the votes cast in the election were against the levy of the tax. In voting not to pay taxes, the non-exempt well owners were then required to shoulder the burden for the PGMA's share of the cost of the District's operations. TWC, Section 36.1071(h), provides: "if the majority of the votes cast at the election are against the levy of a maintenance tax, the District shall set fees authorized by this chapter in accordance with Section 35.013(g-1) to pay for the District's regulation of groundwater in the District."

Accordingly, the Board set fees of \$1.00 per acre foot on all non-exempt groundwater produced for agricultural purposes and \$5.00 per acre foot on all other non-exempt groundwater production, beginning with Groundwater Production Year 2016. For the 2016-2017 budget year, the District estimated that approximately 60,000 acre-feet would be withdrawn in the area. However, groundwater withdrawn in the non-taxed area was approximately 85,000 acre-feet in 2016. In May, the District invoiced \$85,334.51 for groundwater produced last year. It was reported that the District had collected approximately \$72,183.55. The fees for 2016 groundwater withdrawn are due on September 1, 2017.

Mr. Walthour stated that he had performed an analysis of the total production fees compared to the taxpayer costs for District services in other areas of the District. The analysis included a share based on the land area in the PGMA and taxes paid on the rest of Dallam County, and a share based on the land area in the PGMA and taxes paid on land by the rest of the District. The land area within the Dallam PGMA represents approximately 26.31 percent of the Dallam County area and 5.69 percent of the total District area.

Year Fees Due	PGMA Share Based on Percent of Dallam Taxes	PGMA Share Based on percent of District Taxes	Production Fees Collected or Billed	Production Year
2015	\$48,798.62	\$119,370.11	\$0	
2016	\$55,832.61	\$124,451.60	\$73,862.13	2015
2017	\$79,256.94	\$128,415.30	\$85,334.51	2016

If the Dallam County PGMA area had voted to be taxed the total amount of taxes would have been less than the fees collected.

This analysis does not compare an individual's production fees to what the individual would have paid in ad valorem taxes. For nonexempt groundwater withdrawals, industrial or residential land owners generally could have paid more in taxes than paid in fees while an agricultural irrigation user would pay less in taxes than paid in fees for groundwater produced.

Zac Yoder moved that the Board set fees of \$.80 per acre-foot on all non-exempt groundwater produced for agricultural purposes and \$5.00 per acre-foot on all other non-exempt groundwater production for any other purpose. Mark Howard seconded the motion. Yoder stated justifying the rate should not be based on land area due to a large portion of the annexed land being owned by the federal government. Mr. Yoder also said when the rate was originally set, it was estimated that \$60,000 in fees would be collected. President Grall called for a roll-call vote:

Daniel L. Krienke	No
Mark Howard	Yes
Justin Crownover	No
Bob Zimmer	No
Harold Grall	No
Gene Born	No
Zac Yoder	Yes

The motion failed.

Daniel L. Krienke moved that the Board leave the production fees the same rate, \$1.00 per acre-foot on all non-exempt groundwater produced for agricultural purposes and \$5.00 per acre-foot on other non-exempt groundwater production for any other purpose in the Dallam County areas. Bob Zimmer seconded the motion and President Grall called for a roll-call vote:

Daniel L. Krienke	Yes
Mark Howard	No
Justin Crownover	Yes
Bob Zimmer	Yes
Harold Grall	Yes
Gene Born	Yes
Zac Yoder	No

The motion passed by the majority vote of the Board.

Action Agenda 3e - Consider action directing the General Manager to amend the 2016-2017 Budget based on the consultation with Auditor and to report any changes to the Board for review.

Mr. Walthour reported to the Board that at the end of each fiscal year, the Board requires that the District's Auditor perform a financial audit of the District's operations. As a result of the audit, and in consultation with the Auditor, the District may be compelled to amend its books pursuant to fiscal policy, State and/or local law. The General Manager requested that the Board direct the General Manager to amend the 2016-2017 Budget, if necessary, based on any consultation with the Auditor and to report any changes to the Board for its review.

The General Manager stated that he does not anticipate that a budget amendment will need to be made pursuant to fiscal policy, State and/or local law.

Justin Crownover moved that the Board direct the General Manager to amend the 2016-2017 Budget, if necessary, based upon a consultation with the Auditor, and to report any changes to the Board for its review. Gene Born seconded the motion and it was unanimously approved by the Board.

Action Agenda 3g - Receive presentation regarding Extended GAM Run Predicting Desirable Future Conditions in Groundwater Management Area 1.

The General Manager reported as follows:

During the 85th Texas Legislature Regular Session, Representative Lucio III filed a bill that would require that groundwater conservation districts would need to consider "modeled sustainable groundwater pumping" when considering desired future conditions during joint planning. "Modeled sustainable groundwater pumping" would have meant the maximum amount of groundwater that the Texas Water Development Board executive administrator determined may be produced in perpetuity from an aquifer on an annual basis using the best available science. The bill failed. Though the bill failed, the General Manager anticipated that the concept may be resurrected in upcoming Legislative Sessions.

Groundwater pumping causes annual water level declines in the District that range from 0.89 feet in Lipscomb County to 4.27 feet in Hartley County. Continuous water level declines mean that the current rate of groundwater pumping is not sustainable in perpetuity. Over the long term, as water levels continue to decline, pumping will also decline until aquifer conditions and pumping reach a balance. The balance means that pumping potential becomes sustainable. The General Manager posed these questions: what is the long-term pumping potential for the Ogallala Aquifer and what are those sustainability levels and when will they occur?

The General Manager had requested that Intera, the consultants that performed the modeled groundwater availability runs for GMA 1, extend prediction for the DFC model run long-term to estimate groundwater pumping sustainability. Long-term refers to 100 or more years, consistent with a definition of "sustainable" production used previously by the Texas Water Development Board for making similar evaluations. This definition of sustainability does not consider impacts to spring or stream flow, neighboring states, or the economics of pumping. Rather, it is the estimated pumping rate that could be maintained indefinitely and still eventually result in stabilized aquifer water levels. The report is attached to this item. The first fifty years of the run assumes that groundwater is pumped in each county consistent with the modeled available groundwater amounts provided by the TWDB executive director. Current measured pumping amounts are not modeled and may lessen or lengthen the time pumping declines to reach sustainability. Potential pumping in the Dockum aquifer is not considered.

The model run estimated final inflows, outflows and changes in storage in the Ogallala Aquifer for stress period 500 (year 2512) per county in the District is measured in acre-feet below:

	Dallam	Hansford	Hartley	Hutchinson	Lipscomb	Moore	Ochiltree	Sherman
Inflow								
River Leakage	20257	11323	16125	10438	19334	11346	4584	9682
Recharge	24608	11456	29144	7075	29615	17431	12373	17467
Vertical	72	0	5	0	0	32	0	24
Lateral Flow	14315	2057	9614	508	16148	3561	6132	11848
Total Inflow	59252	24836	54888	18021	65097	32370	23089	39021
Outflow								
Wells	39536	23736	45508	13625	63820	29317	22694	36933
Drains	0	0	33	366	0	163	0	0
River Leakage	0	0	1068	235	0	294	0	0
ET	0	0	14	0	0	0	0	0
Vertical	13210	0	5971	5	0	1547	0	111
Lateral Flow	7200	1103	3120	3791	1285	1203	402	2023
Total Outflow	59946	24839	55714	18022	65105	32524	23096	39067
Storage Change								
Inflow -	-694	-3	-826	-1	-8	-154	-7	-46
Storage Change	-693	-3	-826	0	-8	-153	-6	-46
Model Error	-1	0	0	-1	0	-1	-1	0
Model Error	0.00%	0%	0%	0.01%	0.02%	0.00%	0.00%	0.00%

Action Agenda 3h - Consider legal and compliance matters before the District.

The General Manager requested that the Board issue a Show Cause Order to the Gloria Griggs Revocable Trust to shall appear and show cause why action should not be taken against the Trust for failure to comply with District Rule 3.1 regarding Well Classification and Spacing on Well OC-8884 drilled in 2015.

Daniel L. Krienke moved that the Board issue a Show Cause Order to the Gloria Griggs Revocable Trust to shall appear and show cause why action should not be taken against the Trust for failure to comply with District Rule 3.1 regarding Well Classification and Spacing on Well OC-8884 for 9:00 a.m. on September 12, 2017. Justin Crownover seconded the motion and it was unanimously approved by the Board.

The General Manager also had reported to the Board that he was reorganizing the District's administrative staff to address permitting and production reporting compliance as follows:

- Casey Tice will head up the Production Reporting Program. Casey has been very involved with this program regarding reviewing production and addressing compliance issues since late 2007.
- Instead of hiring a Compliance Coordinator position vacated by Casey and a full-time receptionist position vacated earlier this year, the General Manager combined some of the clerical and organizational functions that were historically addressed by accounting, permitting, production reporting and compliance staff into one administrative support position that can pick up the remaining duties of a receptionist and be more qualified to deal with minor issues in the above-mentioned areas.
- The General Manager stated the he would be concentrating more on the direct day-to-day compliance issues for the foreseeable future. When there are compliance issues, a notification related to permitting or production program will

be sent with a set due date of re-inspection, or the producer will be given an opportunity to contact the program lead and make other arrangements. After re-inspection, if compliance is not resolved, or other arrangements have not been made, the General Manager will contact the party that the issue will be brought to the Board with a recommendation of the Board issuing a Show Cause Order.

Daniel L. Krienke departed the meeting at 12:05 p.m.

General Counsel reported to the Board that the District's Counsel had received a request to file an Amicus Curiae Brief in Cause No. 15-0569 pending in the Supreme Court of Texas and styled: *BP America Production Company vs. Red Deer Resources, LLC*, because of concern about pollution of groundwater by deteriorated oil and gas well that are not plugged.

Justin Crownover moved that the Board authorize the District's General Counsel to prepare and file an Amicus Curiae Brief in Cause No. 15-0569 pending in the Supreme Court of Texas and styled: *BP America Production Company vs. Red Deer Resources, LLC*. Bob B. Zimmer seconded the motion and it was unanimously approved by the Board.

Discussion Agenda 4a - Director Reports.

District Directors reported to the Board regarding meetings and/or seminars attended, weather conditions and economic development in each Director's precinct.

Discussion Agenda 4b - Committee Reports.

None, except as set forth above.

Discussion Agenda 4c - General Manager's Report.


Steve Walthour presented the General Manager's Report, which included information concerning upcoming meetings and conferences, the General Manager's activity summary and the District activity summary.

Agenda 5 - Discuss Items for Future Board Meeting Agendas and Set Next Meeting Date and Time.

By consensus, the Board set the next regular meeting at 9:00 a.m. on September 12, 2017.

Agenda 6 - Adjournment.

Director, Mark Howard, moved to adjourn the meeting. Zac Yoder seconded the motion and it was unanimously approved by the Board. President Grall declared the meeting adjourned at 12:24 p.m.



Harold Grall, President



Bob B. Zimmer, Secretary